

Message Text

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PAGE 01 MANILA 09959 01 OF 02 150236Z

ACTION EB-08

INFO OCT-01 EA-10 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00

COME-00 DODE-00 DOE-15 H-01 INR-10 INT-05 L-03

NSAE-00 NSC-05 OMB-01 PM-05 ICA-11 OES-07 SP-02

SS-15 STR-07 TRSE-00 ACDA-12 /126 W

-----064055 150317Z /13

R 150217Z JUN 78

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 7137

INFO AMEMBASSY BANGKOK

AMEMBASSY JAKARTA

AMEMBASSY KUALA LUMPUR

AMEMBASSY SINGAPORE

LIMITED OFFICIAL USE SECTION 01 OF 02 MANILA 09959

DEPARTMENT PLEASE PASS TO DEPARTMENT OF ENERGY

E.O. 11652: N/A

TAGS: ENRG, EALR, RP

SUBJECT: UPDATE ON PHILIPPINE OIL EXPLORATION SCENE -

OIL PRODUCTION PROBABLE IN 1979

REF: A. MANILA 4646, B. 77 MANILA 16630, C. MANILA 18560

1. SUMMARY: OIL PRODUCTION IS PROBABLE IN THE PHILIPPINES IN 1979 AT THE 20,000 TO 40,000 BARRELS/DAY RATE. FOREIGN OIL COMPANY INTEREST REMAINS HIGH, BY LOCAL STANDARDS, FOR FURTHER EXPLORATION EFFORTS. ANOTHER NEW FIRM, TOTAL OF FRANCE, ENTERS THE SCENE AS TWO FIRMS, TREND AND OCCIDENTAL, ARE INACTIVE AFTER DRILLING ONE WELL EACH. PHILLIPS PETROLEUM IS PLANNING A MAJOR ACTIVITY FOR THIS YEAR AND NEXT. END SUMMARY.

2. CITIES SERVICE PRODUCTION PLANS. IT NOW APPEARS

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PAGE 02 MANILA 09959 01 OF 02 150236Z

QUITE PROBABLE THAT OIL WILL BE PRODUCED IN THE PHILIPPINES IN 1979, POSSIBLY AS EARLY AS FEBRUARY.

LOCAL CITIES SERVICE SOURCES CONFIRMED THAT BROWN AND ROOT OF TEXAS HAVE WON BID TO CONSTRUCT ONE PRODUCTION PLATFORM AND TWO WELL PLATFORMS ON THE NIDO COMPLEX IN WESTERN PALAWAN. PLATFORMS WILL BE BUILT AT BROWN AND ROOT YARD IN LABUANG, MALAYSIA. ANOTHER U.S.

FIRM, READING AND BATES, HAS CONTRACT TO SUPPLY JACK-UP RIG TO DRILL 3 ADDITIONAL PRODUCTION WELLS OFF THE SOUTH NIDO AND WEST NIDO PLATFORMS.

3. IF ALL GOES ACCORDING TO BEST POSSIBLE SCHEDULE, CITIES SERVICE COULD BE PRODUCING OIL BY FEBRUARY 1979. THERE IS A "GOOD CHANCE" THE FIVE WELLS COULD PRODUCE UP TO 40,000 BARRELS/DAY, OR APPROXIMATELY 20 PCT OF 1977 PHILIPPINE CRUDE OIL CONSUMPTION. A LESSER AMOUNT IS MORE LIKELY AT LEAST IN EARLY STAGES. THERE IS NO COMMITMENT YET BY EITHER CITIES OR THE GOP AS TO ULTIMATE DISPOSAL OF THE OIL, BUT CITIES EXPECTS IT WILL BE UTILIZED IN PHILIPPINE REFINERIES INITIALLY IF ONLY FOR POLITICAL REASONS. ALSO, IT APPARENTLY IS NOT A LOW SULPHUR LIGHT CRUDE THAT WOULD DEMAND A PREMIUM PRICE IN WORLD MARKET.

4. PRODUCTION PROGRAM IS EXPECTED TO COST "AROUND \$40 MILLION". OSCAR MANUEL, PRESIDENT OF ORIENTAL PETROLEUM, THE LARGEST PHILIPPINE MEMBER FIRM OF THE CITIES CONSORTIUM, TOLD EMBOFF THAT THE LOCAL FIRMS HAVE A "DEFINITE COMMITMENT" FROM CHASE MANHATTAN OF NEW YORK TO FINANCE "UP TO \$20 MILLION" OF PHILIPPINE FIRMS' SHARE OF THE COSTS OF PRODUCTION.

5. OTHER EXPLORATION ACTIVITY. AMOCO AND CITIES SERVICE LIMITED OFFICIAL USE

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PAGE 03 MANILA 09959 01 OF 02 150236Z

HAVE SIGNED AN AGREEMENT TO SHARE EQUALLY COSTS OF A WELL ON A STRUCTURE THAT STRADDLES THE BOUNDARY OF THEIR RESPECTIVE SERVICE CONTRACT AREAS IN WESTERN PALAWAN, NEAR THE NIDO COMPLEX. IT WILL BE DRILLED BY THE GLOMAR TASMAN PROBABLY IN EARLY JULY WHEN IT COMPLETES DRILLING FOR THE SALEN GROUP ON REED BANK.

6. THE SALEN GROUP PRESENTLY DRILLING ON REED BANK EXPECTS TO COMPLETE ITS WELL BY JUNE 17. WHILE TRADE SERVICES SAY A DISCOVERY IS UNLIKELY, A SALEN SOURCE IS ENCOURAGED BY THIS DRILLING OPERATION IN THAT IT "CONFIRMED THE BASIC SAND STRUCTURE OF THE SAMPAGUITA COMPLEX". HE SAID RESULTS OF THIS WELL ARE ENCOURAGING ENOUGH THAT SALEN EXPECTS TO DRILL ANOTHER WELL LATER THIS YEAR OR EARLY NEXT. SOURCE NOTED THAT "A NUMBER OF U.S. FIRMS" (OTHER THAN AMOCO) HAVE EXPRESSED RENEWED INTEREST IN REED BANK AND SALEN IS PRESENTLY NEGOTIATING TO POSSIBLY HAVE A U.S. FIRM AS OPERATOR FOR THE NEXT WELL. NONE WERE IDENTIFIED.

7. PHILLIPS PETROLEUM IS ABOUT TO SIGN POSSIBLY THREE MORE SEISMIC OPTION CONTRACTS FOR AREAS IN PALAWAN

AND THE SULU SEA. PODCO, A LOCAL FIRM OF THE SORIANO GROUP, WILL HAVE A 30 PCT SHARE. PHILIPPS STILL PLANS TO DRILL LATER THIS YEAR IN ITS AREA IN THE VISAYAN SEA.

8. THE FRENCH FIRM TOTAL HAS RECENTLY BOUGHT INTO 2 SERVICE CONTRACTS OF LOCAL CONSORTIA, ONE OFF EASTERN PALAWAN AND ANOTHER IN THE VISAYAN SEA, BOTH HEADED BY

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PAGE 01 MANILA 09959 02 OF 02 150238Z
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LIMITED OFFICIAL USE SECTION 02 OF 02 MANILA 09959

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THE LOCAL FIRM, POGEL. TOTAL ALSO HAS A SEISMIC OPTION COMMITMENT.

9. SINGLE WELLS WERE DRILLED BY TREND IN THE PANAY GULF AND OCCIDENTAL PETROLEUM IN VISAYAN SEA EARLY THIS YEAR AS BUY-IN OPERATIONS IN EXISTING SERVICE CONTRACT AREAS. BOTH WELLS WERE DRY. BOTH FIRMS ARE CURRENTLY INACTIVE.

10. HOUSTON OIL AND MINERALS IS PRESENTLY SETTING UP ITS LOCAL SUPPORT FACILITIES FOR A 3 WELLS IN 3 MONTHS DRILLING OPERATION TO START IN AUGUST ONSHORE IN THE CENTRAL LUZON VALLEY. THE RIG IS BEING BUILT IN SINGAPORE. HOUSTON SOURCE SAYS

THIS IS TO BE A ONE-SHOT DEAL, EITHER THEY FIND OIL
IN ONE OF THESE FIRST THREE WELLS, OR THEY PACK UP
AND GO HOME.
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PAGE 02 MANILA 09959 02 OF 02 150238Z

10. COMMENT: WHILE THERE IS NO "OIL FEVER" IN
THE PHILIPPINES, THE TRADE IS UPBEAT AND DEALS ARE
BEING SUCCESSFULLY NEGOTIATED FOR MORE EXPLORATION
HERE. THE BIGGEST NEWS OF COURSE IS THE PRODUCTION
PLAN OF CITIES, FOLLOWED BY NEWS FROM LOCAL
PHILIPPS PETROLEUM REP THAT HIS HOME OFFICE IS ABOUT
TO COMMIT A "CONSIDERABLE SUM" TO SEISMIC
AND DRILLING OPERATIONS IN VISAYAN AND SULU SEAS
LATER THIS YEAR AND IN 1979. LOCAL REPS OF CITIES,
AMOCO, AND SHELL ALSO EXPECT TO HAVE ACTIVE EXPLORA-
TION DRILLING PROGRAMS IN 1979. END COMMENT. MURPHY

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